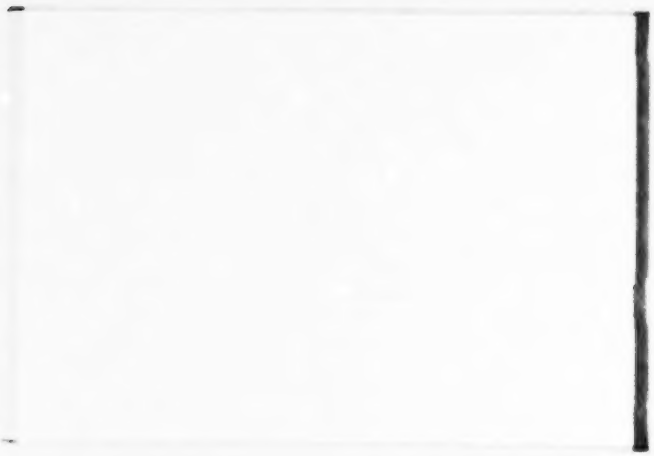
CMHC
Canada Mortgage
and Housing Corporation

SCHL
Société canadienne
d'hypothèques et de logement



A SURVEY OF RECENT TRENDS
IN THE RENTAL HOUSING INDUSTRY

AUGUST 1982

COPYRIGHT - CMHC 1982

INTRODUCTION

During July 1982, discussions with Mr. Jack Barker, Provincial Chairman, HUDAC British Columbia, indicated concerns with respect to perceived anomalies within the local rental housing market. These concerns were conveyed to Mr. T. Wellman, Director, Market Forecast and Analysis Division, C.M.H.C., by letter dated 20 July 1982, along with a proposal for a locally based investigation to determine whether such anomalies could be identified, and whether the ramifications of same could be determined. Subsequently, verbal authorization was received (telephone discussion, Wellman, Lainsbury, 9 August 1982) to proceed with the investigation as proposed. This brief report is intended to summarize the findings of that program.

PROGRAM

The intent of this program was to identify, through discussions with landlords and rental agents, any recent and unique phenomena within the rental housing market. Geographically, the thrust of the investigation was centered on the Vernon and Kamloops markets with an overview of the Kelowna/Penticton area.

In both Vernon and Kamloops, interviews were conducted with apartment managers and rental agents representing in excess of 90% of the conventional rental market (defined as those units included within C.M.H.C.'s semi-annual vacancy survey). A representative sample of landlords controlling smaller units (detached homes, basement suites, duplexes) were identified from newspaper advertisements and interviewed by telephone. The total number of such rental units in each community is not known.

In addition to the foregoing, useful and informative discussions were held with municipal planning officials and with Mr. A. Bottomly, C.M.H.C. Regional Manager, Kamloops.

SUMMARY OF FINDINGS

Because much of the information gathered is necessarily subjective, no attempt has been made to priorize results by frequency of observation. Where possible, pertinent numerical information is provided for illustrative purposes.

The findings of this survey are as follows:

1. There are an exceptionally large number of single family detached dwellings on the market as a result of recent substantial declines in sales, both new and pre-owned. Many of these homes have been placed on the rental market to create a cash flow bridge until such time as qualified purchasers are available. There is a perceptible trend of renters moving away from conventional apartments to detached homes which are available at equivalent rents.

2. There is a perceptible trend towards accommodation sharing. This involves two or three single renters pooling resources to rent larger, shared accommodation. The detached

dwellings noted above are an attractive target for such arrangements. Thus in many instances two or three small conventional apartments are being vacated in return for rental of one large (2 or 3 bedroom) apartment or detached home.

In Kamloops, the increasing acceptance of accommodation sharing may be illustrated by classified advertisements seeking such arrangements. During the first half of 1981, there were an average of four daily advertisements for shared accommodation. This increased to eight during the last half of 1981, and increased again to an average of sixteen during the first half of 1982.

3. Many recent vacancies are reported as being a direct result of increased unemployment and under-employment. This has resulted in a number of moves out of the community and out of the province, as younger tenants in particular seek employment elsewhere. <u>There is also a perceptible movement on the part of younger tenants to move back to their parents' home</u>.

4. Particularly in Vernon, but noticed also throughout the area, there is a concern that recently completed strata title units will not be sold and will be placed onto the rental market, resulting in sharply increased vacancy rates. In Vernon for example, there are approximately 300 such units as compared to a total conventional rental market of 1800 units (Spring 1982).

5. There is a growing perception that, in many instances, vacancy rates are approaching or have already reached such levels as to place substantial downward pressure on rental rates, making it virtually impossible to demand economic rents, particularly in newer buildings.

6. Several respondents speculated on the probable impact of current housing market conditions on future consumer preferences. It was suggested that there will be a substantial decrease in floor space demand per household, as a reflection of a requirement to reduce the proportion of household income devoted to shelter. Specifically, it is anticipated that there will be a strong demand for smaller, less expensive

DISCUSSION

All of the phenomena noted above are seen as being unique in terms of recent experience, and related directly to the present economic recession.

Local perception holds that the impact of any "turn around" in the national and provincial economy will not be felt in the rental housing market for at least one year after the fact. It is anticipated that, while increasing employment opportunities will attract renters back to the community, sales of detached homes and condominiums will not increase substantially for some longer period, implying that these units will remain on the rental market. Thus it is not anticipated that significant new investment will, or should, be directed to the rental housing market in the immediate future.

One of the more interesting of the speculative insights noted during this program relates to the expectation of a downward adjustment in the average perception of basic housing requirements.

Such an adjustment is seen as being desirable in terms of the greater community interest (e.g. more efficient utilization of

community infrastructure and transportation facilities, greater proportion of disposable income directed to other than the housing sector). Should it be possible to determine, through broad-based sampling and/or Delphi techniques, that such a trend is probable, it might indicate a rational and politically desirable direction for senior government participation in the housing market.

APPENDICES

APPENDIX A

CONVENTIONAL RENTAL MARKET, VERNON

SURVEY AUGUST 14 -18, 1982

Contact	No. Units	Vacant	Comments
Belmont Apartments	39	20	Economy seriously affecting rentals, shared accommodation increasing in S.F.D.
Alexis Park Manor	60	3	Nil
Valleyview Apartments	47	13	Economy affecting rentals, shared accommodation increasing.
Tumbleweed Apartments	79	0	Generally older people renting, stable market.
Sunrise Gardens	26	3	Younger people returning home. Shared accommodation affecting rentals.
Bella Vista Court	41	17	S.F. home rentals have affected his tenants, shared accommodation increasing. Cheaper rentals available, rent reductions taking place in some units, occurred in the past 4 months.
Hillside Terrace	72	2	Stable market - no major problems. Note - Good project, good location.

Contact	No. Units	Vacant	Comments
Mark I Manor	26	6	) One Management Company.
Sunny Garden Estates	35	4	) Affordability and unemployment affecting rentals.
Twin Brooks	22	6	) S.F. allowing people to share accommodation, normally not available - Market presently distorted.
Thorne Apartments	22	3	)
Totals	469	77	

Indicated Vacancy Rate 16.4%

APPENDIX B

CONVENTIONAL RENTAL MARKET, KAMLOOPS

Market Survey carried out on 23 August 1982

Survey carried out on Multi-Family Units, containing 6 units or more, 1 year or older.

Contact	No. Units	Vacant	Comments
College Heights	44	1	Afton Mine closing affected rentals.
J.J. Management			Renters prefer Town Houses when rents at similar level.
Town Houses	97	6	
Town Houses	50	2	Single family houses are affecting apartment rentals.
Apartment	45	8	
Apartment	32	2	Shared accommodation is more prevalent.
Apartment	6	0	This company manages 50 S.F. homes and they have noticed a marked increase in S.F. rentals.
Aberdeen Villa	18	1	Market stable.
Copper Ridge	140	11	Economy affecting rentals. Younger people moving back to home. Shared accommodation becoming popular.
North Hills	32	0	Presently full but have had vacancies and the economy has affected rentals. Shared accommodation becoming popular.
Six Plex	6	2	
Clapperton Manor	35	1	Reasonably stable rental market.
Colonial Manor	18	1	
College Heights	39	2	

Contact	No. Units	Vacant	Comments
Talisman	40	1	
Mountain View Manor	17	0	
Gordonhead Gardens			Shared accommodating becoming popular.
'A'	48	0	
'B'	48	3	
Connaught Management Town Houses and Apartments	506	60	Economy seriously affecting rentals. Marked change in rentals commenced in December 1981. Affordability a major problem for renters. Rent reduction being offered on many apartments. S.F. rental on the increase and affecting the traditional market. Shared accommodation on the increase. Younger people moving back home.
Totals	1227	102	

Indicated Vacancy Rate 8.31%

The following was a brief sample of new rental projects on the market.

Contact	No. Units	Vacant	Comments
Summit Place	72	41	Market rentals improved in July and August.
Connaught Management	196	43	Rents required for economic investment too high for current market conditions.
Totals	268	84	

Indicated Vacancy Rate 31.34%

APPENDIX C

PHONE SURVEY - SMALL LANDLORDS - KAMLOOPS

23 AUGUST 1982

	Type	Bed-rooms	Rent	Comments re last tenant
1.	Duplex	2	475	Left town, seeking employment
2.	Duplex	3	450	Unit is for sale 3 tenants sharing 2 went north seeking employment
3.	S.F.D.	3	500	Stayed in town, moved closer to work
4.	S.F.D.	4	700	Not known
5.	Duplex	2	450	Not known
6.	S.F.D.	3	525	Unemployed - moved to less expensive accommodation
7.	S.F.D.	4	635	Moved to Edmonton for employment
8.	Duplex	3	450	Not known
9.	Duplex	2	450	Moved locally, better accommodation at same rent
10.	S.F.D.	3	700	Not known
11.	Duplex	3	450	Moved locally, less expensive accommodation
12.	S.F.D.	3	375	Left town, seeking employment
13.	S.F.D.	3	700	Not known
14.	Duplex	3	550	Moved downtown
15.	S.F.D.	3	520	Bought home in town
16.	Duplex	3	525	Not known
17.	Duplex	4	500	Moved to less expensive rental in town
18.	Duplex	2	450	Moved out of town seeking employment
19.	Duplex	3	450	Moved locally

APPENDIX D

PHONE SURVEY - SMALL LANDLORDS - VERNON

12 AUGUST 1982

	Type	Bed-rooms	Rent	Comments re last tenant
1.	Apt.	1	299	Unemployed, returned to Alberta
2.	Bsmt. Ste.	1	260	Seeking employment in Alberta
3.	S.F.D.	3	550	New unit, vacant 3 months Unit for sale
4.	Apt.	1	350	New unit
5.	S.F.D.	4	650	No data re previous tenant Unit for sale
6.	S.F.D.	3	Neg.	Owner moved to Alberta for employment Unit for sale
7.	Duplex	2	400	Not known
8.	4-Plex	2	363	Returned to Alberta, unemployed
9.	S.F.D.	3	525	Owner moving to Edmonton for employment reasons Unit for sale
10.	Bsmt. Ste.	2	300	Not known